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UNCLAS SECTION 01 OF 02 ISTANBUL 000891

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STATE FOR E, CBED, EB/TRA AND EUR/SE
DEPARTMENT PASS USDOT, NSC FOR BRYZA
USDOC FOR 4212/ITA/MAC/OEURA/CPD/DDEFALCO
USDOE FOR CHARLES WASHINGTON
TREASURY FOR OASIA - MILLS AND LEICHTER

E.O. 12958: N/A

TAGS: [EWWT](#) [EAIR](#) [ELTN](#) [ECON](#) [PREL](#) [TU](#) [CY](#)

SUBJECT: TURKEY RAISES NORTHERN CYPRUS AVIATION LINKS IN
ISTANBUL TRANSPORTATION BILATERAL; OTHER ISSUES INCLUDE THY
PROCUREMENT AND BOSPHORUS SHIPPING

11. (SBU) Summary: Secretary of Transportation Norman Mineta and his visiting delegation reviewed the bilateral transportation relationship with Turkish Minister of Transportation Binali Yildirim in a full day of meetings in Istanbul on Monday, May 24. Yildirim took the opportunity to press for the establishment of direct aviation links as part of the U.S. review of its policy towards Northern Cyprus. Secretary Mineta responded that that review is ongoing, and

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that we are committed to ensuring that Turkish Cypriots are not "punished" as a result of the outcome of last month's referendum. The two ministers also reviewed the gamut of other transportation issues, stressing the benefits that both sides have gained in the civil aviation area from our "open skies" agreement, and exploring possible areas of cooperation on maritime and land transport. The Secretary made a strong pitch for Boeing aircraft in Turkish Airlines' (THY) current procurement decision; THY officials responded that price and technical issues are key, and that the process is "close to conclusion." In the afternoon, the two Ministers toured the Bosphorus and received a briefing at the headquarters of the Vessel Traffic System (VTS) in Istinye. End Summary.

12. (SBU) Cyprus: The major bilateral issue on Yildirim's agenda was transportation linkage to Northern Cyprus. He expressed appreciation for U.S. efforts to secure a settlement in the run-up to last month's referendum, and noted that while Turkey would have preferred a "yes-yes" outcome to the referendum, since that had not happened it is now focused on seeking removal of the "unfair restrictions" that the international community has imposed on the Turkish side of the island. He noted that Turkey is grateful for U.S. steps to do this, and expressed hope that direct flights would be one of the measures adopted. Yildirim noted that Northern Cyprus has worked to bring its ports and airports up to international standards, and provided documentation to that effect to the Secretary. Secretary Mineta responded that our review of our Cyprus policy is underway, and that we are committed to ending the isolation of Turkish Cypriots and ensuring that they are not punished as a result of the referendum's outcome. He stressed that we are coordinating our actions with the EU, and that better results will be obtained if actions are coordinated at the ICAO, and that he will speak to our Ambassador there as well. Ambassador Edelman added that our goal is to end Northern Cyprus' economic isolation and help make the economic balance between north and south more equal. To that end, he said, we will work both within the U.S. policy process and with multilateral institutions.

13. (SBU) Aviation: Secretary Mineta stressed the two countries' common interests and noted that our bilateral "open skies" agreement had proved advantageous to both sides (a point with which U.S. companies concurred during a business breakfast with the Secretary before his bilateral meeting). On security issues, he noted that lead responsibility in the U.S. government has passed to the Department of Homeland Security, but emphasized that the Department of Transportation remains deeply involved.

14. (SBU) Maritime/Land Transport: In response to Secretary Mineta's outline of his efforts to encourage short-sea shipping in the United States to ease road congestion on the coasts, Minister Yildirim noted that the same issue exists in Turkey. He attributed Turkey's high rate of road accidents to the "lack of balance" between various transport modes, with Turkish shippers primarily using road transportation. As a result, he noted, Turkey's road fleet is the largest in

Europe. The resulting congestion and infrastructure deterioration, Yildirim said, explains the high number of fatalities on Turkey's roads. He outlined a similar effort to encourage freight to move by sea rather than by road.

15. (SBU) THY Procurement: In closing, Secretary Mineta touched on the upcoming procurement decision by Turkish Airlines (THY), emphasizing our hope that the airline and government would give serious consideration to Boeing aircraft in their deliberations. Yildirim responded by highlighting the dramatic growth that the civil aviation sector in Turkey has experienced over the past six months (a period in which air travel is up 30 percent). He attributed the development to the entry of private companies into the market. In the face of this private sector competition, he indicated, THY, which has also experienced growth, is determined to carry through with its fleet expansion plans. He then turned the floor over to THY General Manager Gundogdu, who emphasized that discussions with Airbus and Boeing are ongoing, and that the airline, together with Finance Minister Unakitan, will meet with Boeing next week in the U.S. Price and technical issues are key, he said, and he suggested that the Secretary talk to Boeing on the price issue. He added that the process is "close to a conclusion." Regarding price, Ambassador Edelman noted that Turkey can help itself by adopting the Capetown Convention on aircraft financing, which enables U.S. export credit agencies to offer better rates. The Minister responded that the Foreign Ministry is now working on the issue, and that the convention should be ratified soon.

16. (SBU) Bosphorus Shipping: Both in the bilateral meeting and during an afternoon Bosphorus tour, Minister Yildirim and his maritime deputies emphasized the volume of traffic that is transiting the straits. They noted that nearly 50,000 ships made the passage last year, some 8,900 of them with dangerous cargo. Vessel Traffic System (VTS) Director Tuncay Cehreli provided a detailed briefing on VTS operations during a stop at VTS headquarters in Istinye, emphasizing that the system is essentially a monitoring one. While Yildirim stressed that the system is not intended to increase or decrease traffic, but to increase its safety, he did note that with the VTS in place traffic levels have increased in the first part of 2004. Total passages, he said, are up 10 percent and passages by ships with dangerous cargoes are up 25 percent. Turkish officials remain concerned that only 39 percent of ships request pilots for the tricky and dangerous passage through the heart of Istanbul, though they did note that 99.5 percent of ships with dangerous cargoes take on a pilot, largely for insurance reasons.

17. (U) Cable cleared by DOT A/S Bhatia for delegation.
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